

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
<http://www.in.gov/legislative>

FISCAL IMPACT STATEMENT

LS 6973

BILL NUMBER: HB 1285

NOTE PREPARED: Jan 5, 2011

BILL AMENDED:

SUBJECT: Property tax exemption for charities.

FIRST AUTHOR: Rep. Smith M

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: Local

Summary of Legislation: This bill provides that property is eligible for the property tax exemption if it is owned by an organization that is exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code and occupied and used for its Section 501(c)(3) purpose.

Effective Date: July 1, 2011.

Explanation of State Expenditures:

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues: Under current law, all or part of a building is exempt from property taxation if it is owned, occupied, and used by a person for educational, literary, scientific, religious, or charitable purposes. To obtain the exemption an owner of tangible property has to file a certified application with the county assessor. This bill extends a property tax exemption to property owned by an organization that is exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code if all or part of the property is occupied and used for the owner's 501(c)(3)-qualifying purpose.

Organizations that are generally exempt paid \$31.8 M in property taxes on \$1.2 B of assessed value for the non-exempt portion of their property in CY 2010. The amount of additional AV to be exempted under this bill is indeterminable at this time. This reduction in the tax base would result in a tax shift to all other property in the form of an increased tax rate. The amount of the tax shift and the size of the increase in the tax rate is indeterminable. The revenue for cumulative funds would be reduced by the product of the fund

rate multiplied by the deduction amount applicable to that fund.

Circuit Breaker Impact: It is also possible that the combination of a reduction in assessed values and an increase in tax rates would result in more taxpayers being above the applicable tax cap. This could potentially increase the amount of circuit breaker credits. As a result, total local revenues would probably decrease.

State Agencies Affected:

Local Agencies Affected: Assessors; All Taxing Units.

Information Sources: OFMA property tax database.

Fiscal Analyst: David Lusan, 317-232-9592